CIA/OER/S-07081-75 ARAB REFINERIES & OIL TANKERS JAN 75

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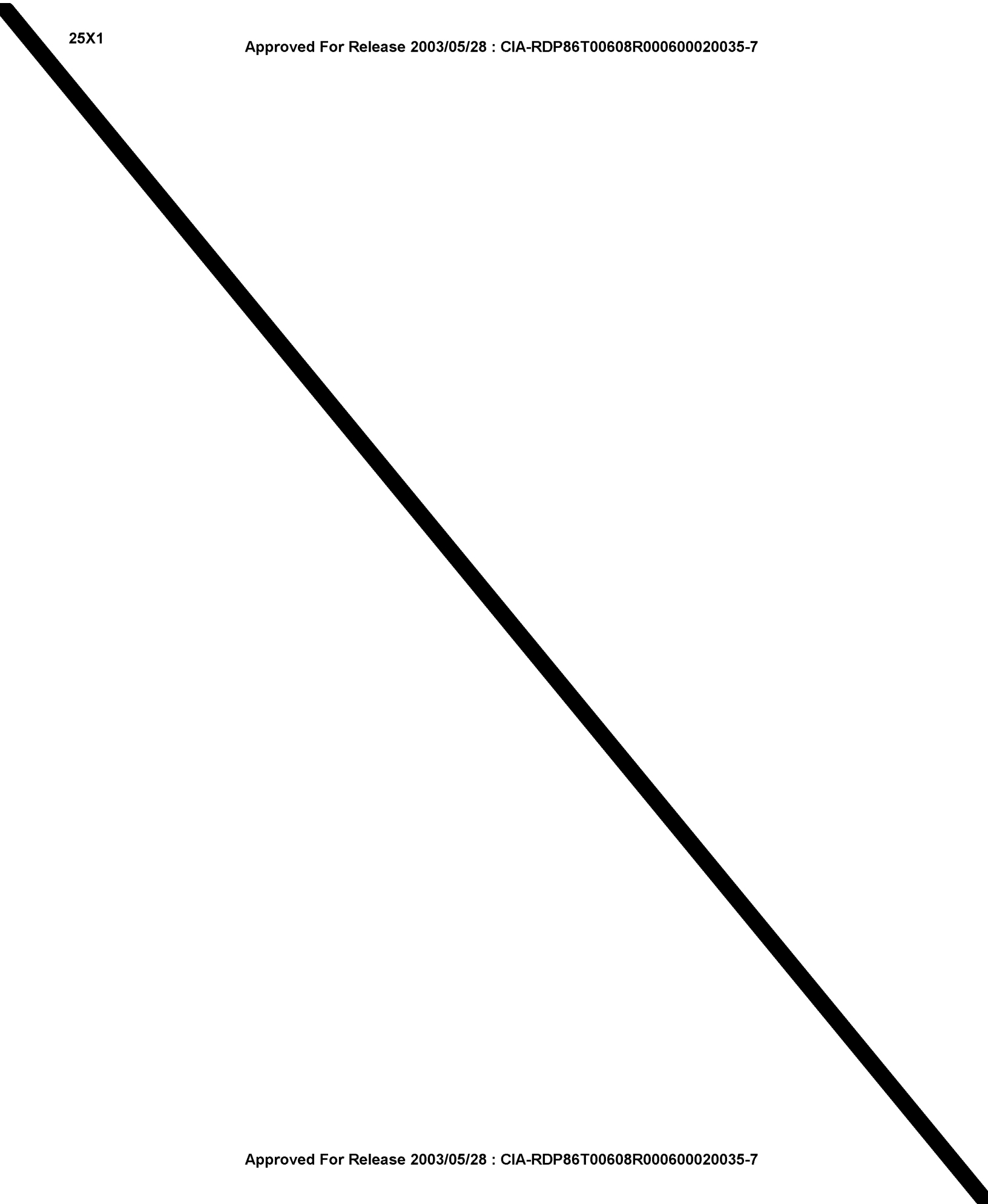

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Arab Refineries and Oil Tankers

Plans for a major buildup of refining and petrochemical capacity in the Middle East will require a different mix of tanker vessels than is now operating or under construction. More than 150 oil refining, gas liquefaction and petrochemical projects are under consideration by Persian Gulf producers. Iran and Saudia Arabia are most anxious to develop refining capacity to export higher priced, upgraded oil products.

The refining proposals could raise the amount of products exported from the Persian Gulf from about 1 million b/d this year to perhaps 5 million b/d by the early 1980s. Moreover, oil producers in the Middle East will begin to utilize their tremendous gas reserves to produce ammonia for fertilizer, methanol, and other products requiring specialized transportation and handling facilities.

Some of the new projects anticipate the need to integrate the transportation sector into the project. Qatar recently signed an agreement with Gazocean, a major French liquefied natural gas (LNG) carrier, and a leading French chemical concern to build a $200 million petrochemical complex. Part of the elthylene output will be exported to France in special Gazocean tankers for use in French chemical plants while the rest will be used or sold by Qatar. Gazocean is also involved in a number of other joint ventures designed to integrate its transport capability with the needs of producing and consuming countries.

The advancing age of the world's product tanker fleet combined with increased demand is likely to cause a serious shortage of these vessels over the next decade. Nearly half of the 1,500 small product tankers -- up to 35,000 DWT -- are approximately 20 years old, the normal scrapping age. In contrast, only about 200 product tankers are on order, mainly because of greater demand for the larger crude oil tankers.

The world's product tanker fleet has generally been limited to tankers not exceeding 35,000 DWT. This size tanker can be cleaned relatively easily to accept different types of product, and can safely transport the more volatile products such as gasoline. Tankers of this size also can enter more ports than the new giant crude oil carriers.

The return to smaller multipurpose tankers, however, is coming slowly. Many of the new yards built to take advantage of the demand for 250,000 DWT and up crude oil tankers are not equipped to build the smaller product tankers. Only a few shipyards presently are building vessels capable of carrying chemicals, liquefied gas, and other special products, but a number of yards that are losing business -- particularly in Norway -- are planning to convert their capacity to the smaller specialized vessels.

Statistics on tanker fleet construction are beginning to reflect the changed needs. Year orders for tankers measured by total DWT fell for the first time since 1971 -- caused mainly by a lack of orders for the very large tankers. Even though

total tonnage was off, the number of tankers did not decrease proportionally. Some interest was shown in a new class of vessels in the 50,000 to 85,000 DWT range capable of carrying products or crude. Last summer a Greek shipping group cancelled orders for six 120,000 DWT crude carriers and ordered instead a series of product carriers ranging between 35,000 and 50,000 DWT. Similarly the Arab Maritime Petroleum Transportation Company has requested bids on six such tankers.